

City of Mesa

# State Imposed Expenditure Limitation Home Rule Continuation

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Presented by the Office of Management and Budget



# The Arizona Constitution

Requires the adoption of a balanced budget. Estimated revenues and resources equal to appropriated expenditures.

Imposes an expenditure limitation for all cities and towns based on FY1979/80, adjusted for population growth and inflation.

Allows for local election approval of an Expenditure Limitation Alternative.

# Types of Expenditure Limitation Alternatives

Home Rule – allows the city to maintain local control of the annual budget amount and determine the necessary expenditure limitation while remaining within available revenues and resources. Effective for four years.

Permanent Adjustment of Expenditure Base – allows the City to permanently adjust the expenditure base to a level other than the FY1979/80 amount. The new base is then adjusted for population and inflation in future years.

One-Time Override Alternative – allows for exceeding the State imposed expenditure limitation for one fiscal year.

# Sanctions for Exceeding the Expenditure Limitation

If the State Auditor General determines a city has exceeded the expenditure limitation, a portion of its share of the state income tax allocation is withheld.

The penalty is assessed as follows:

- Exceeding by less than 5% - penalty will equal the amount of the excess.
- Exceeding by more than 5%, but less than 10% - penalty will be three times the excess.
- Exceeding by more than 10% - penalty will be five times the excess or 1/3 of the state income tax allocation, whichever is less.

# City of Mesa Current Home Rule

A home rule alternative was approved by voters in March 2000.

It was renewed in March 2004, March 2008 and November 2010.

The current authorization will expire June 30, 2015.

# The State Limitation Formula

The State imposed expenditure limitation is adjusted for population growth and inflation.

Locally approved funds are not taken into consideration. Examples are Mesa's Quality of Life sales tax, Local Streets sales tax and the Proposition 400 regional transportation improvements.

Mesa's Quality of Life sales tax currently funds 120 police officers and 65 firefighters.

The Local Street sales tax partially funds the operations of the Transportation Department while the Prop 400 revenues are used for construction projects to improve roads.

# Effect of Nonrenewal of Home Rule

If an expenditure limitation alternative had not been in effect for FY2013/14, the City would have been required to reduce its budget by approximately \$184M to comply with the State imposed expenditure limitation.

If the State limitation had been exceeded by more than 10%, the expected penalty to apply to FY2014/15 would be \$17.7M (based on one-third of the FY2014/15 state shared revenue).

# A Home Rule Election

May be referred to voters by a 2/3 vote of the City Council.  
(5 votes)

Is required to be presented at a regularly scheduled election for the nomination or election of City Councilmembers.

If approved, it will apply for the four succeeding fiscal years.

A November 2014 approval would apply to fiscal years 15/16 through 18/19.



# Home Rule Actions

For submission of a Home Rule Alternative on the November 2014 Ballot:

- May 17 and 24 notice of public hearings published in newspaper
- June 2 Regular Council Meeting – First public hearing
- June 16 Regular/Special Council Meeting – Second public hearing, then consideration of resolution

